



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARRISON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HARRISON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Harrison County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$170,196 from the prior fiscal year, resulting in a cash surplus of \$2,712,865 as of June 30, 2000. Operating revenue increased by \$433,910 from the prior year and budgeted expenditures increased by \$412,971.

#### **Report Comments:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### **Deposits:**

On August 31, 1999, \$201,261 of the county's deposits of public funds in depository institutions was uninsured and unsecured, additionally, on June 30, 2000, \$61,384 of the county's deposits of public funds in depository institutions was uninsured and unsecured.



<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT .....	1
HARRISON COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES .....	10
NOTES TO FINANCIAL STATEMENTS .....	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	21
SCHEDULE OF OPERATING REVENUE.....	25
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES .....	29
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	33
COMMENT AND RECOMMENDATION .....	37
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Harrison County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Harrison County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Harrison County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Harrison County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2001 on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 2, 2001



HARRISON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Dean Peak	County Judge/Executive
Stanley Lemons	Magistrate
Frankie Taylor	Magistrate
Brad Marshall	Magistrate
Jerry Dawson	Magistrate
Robert Lake	Magistrate
Alex Barnett	Magistrate
Mike Brogli	Magistrate
James Darryl Rainey	Magistrate

**Other Elected Officials:**

Charles W. Kuster, Jr.	County Attorney
Larry Turner	Jailer
Ralph E. Coppage	County Clerk
Wanda Marsh	Circuit Court Clerk
Bruce Hampton	Sheriff
Jerry Casey	Property Valuation Administrator
Donald T. Ware	Coroner

**Appointed Personnel:**

Deborah H. Martin	County Treasurer
Sherry Judy	Occupational Tax Administrator

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HARRISON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$ 1,636,834	
Road and Bridge Fund:		
Cash	226,710	
Jail Fund:		
Cash	18,388	
Local Government Economic Assistance Fund:		
Cash	31,495	
Payroll Revolving Account - Cash	<u>5,697</u>	\$ 1,919,124

Special Revenue Fund Type

Federal Grants Fund:		
Cash		31,915

Trust and Agency Fund Type

Shropshire Fund:		
Cash	\$ 248,938	
Cox Fund:		
Cash	342,181	
Stump Fund:		
Cash	155,804	
Moore Fund:		
Cash	<u>20,600</u>	<u>767,523</u>
Total Assets and Other Resources		<u>\$ 2,718,562</u>

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

Payroll Revolving Account - Cash	\$	5,697
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Fund Balances

Reserved:

Special Revenue Fund Type

Federal Grants Fund		31,915
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Trust and Agency Fund Type

Shropshire Fund	\$	248,938	
Cox Fund		342,181	
Stump Fund		155,804	
Moore Fund		<u>20,600</u>	767,523

Unreserved:

General Fund Type

General Fund	\$	1,636,834	
Road and Bridge Fund		226,710	
Jail Fund		18,388	
Local Government Economic Assistance Fund		<u>31,495</u>	<u>1,913,427</u>

Total Liabilities and Fund Balances	\$	<u><u>2,718,562</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HARRISON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,325,149	\$ 2,331,860	\$ 825,764	\$ 72,542
Transfers In	454,110	55,000	30,010	314,100
Total Cash Receipts	<u>\$ 3,779,259</u>	<u>\$ 2,386,860</u>	<u>\$ 855,774</u>	<u>\$ 386,642</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,154,953	\$ 1,471,120	\$ 966,027	\$ 388,752
Transfers Out	454,110	399,110		
Total Cash Disbursements	<u>\$ 3,609,063</u>	<u>\$ 1,870,230</u>	<u>\$ 966,027</u>	<u>\$ 388,752</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 170,196	\$ 516,630	\$ (110,253)	\$ (2,110)
Cash Balance - July 1, 1999	2,542,669	1,120,204	336,963	20,498
Cash Balance - June 30, 2000	<u>\$ 2,712,865</u>	<u>\$ 1,636,834</u>	<u>\$ 226,710</u>	<u>\$ 18,388</u>

The accompanying notes are an integral part of the financial statements.



HARRISON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

General Fund Types	Special Revenue Fund Type	Trust and Agency Fund Types			
Local Government Economic Assistance Fund	Federal Grants Fund	Shropshire Fund	Cox Fund	Stump Fund	Moore Fund
\$ 25,557	\$ 14,848 55,000	\$ 29,048	\$ 18,112	\$ 7,418	\$
\$ 25,557	\$ 69,848	\$ 29,048	\$ 18,112	\$ 7,418	\$ 0
\$ 49,331	\$ 227,082 55,000	\$ 27,816	\$ 16,425	\$ 8,400	\$
\$ 49,331	\$ 282,082	\$ 27,816	\$ 16,425	\$ 8,400	\$ 0
\$ (23,774) 55,269	\$ (212,234) 244,149	\$ 1,232 247,706	\$ 1,687 340,494	\$ (982) 156,786	\$ 20,600
\$ 31,495	\$ 31,915	\$ 248,938	\$ 342,181	\$ 155,804	\$ 20,600

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Harrison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Harrison County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Harrison County Fiscal Court's Fund Types, a definition of each, county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Harrison County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund (LGEA).

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Federal Grants Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Trust and Agency Fund Type

Trust and Agency Fund Type accounts for assets held by a governmental unit in a trustee capacity or as agent. Under non-expendable trust agreements only the interest earned on principle may be used for specified purposes. Trust and Agency Fund Types of the Fiscal Court include the Shropshire Fund, Cox Fund, Moore Fund, and Stump Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Harrison County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Harrison County has entered into joint ventures with the city of Cynthiana for the following enterprises: Cynthiana/Harrison County Public Properties Corporation, Cynthiana/Harrison County/Industrial Authority, and Cynthiana/Berry/Harrison County E-911.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

HARRISON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institutions and met requirements (a), (b), and (c) stated above. However, as of August 31, 1999 and June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$201,261 and \$61,384, respectively, of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 1999.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 2,594,537
Uncollateralized and uninsured	<u>201,261</u>
Total	<u>\$ 2,795,798</u>

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 2,672,969
Uncollateralized and uninsured	<u>61,384</u>
Total	<u>\$ 2,734,353</u>

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 4. Related Party Transaction

In January 2001, the Harrison County Fiscal Court purchased a building from Kentucky Utilities Company (at a cost of \$120,875), to be used by the Harrison County Sheriff's office. Robert S. Lake, a Harrison County Magistrate and a licensed real estate broker, acted as the county's agent during the purchase of the building. Neither Mr. Lake, nor his firm, D. G. Schell Realty Co., received a commission as a result of his actions. Additionally, he abstained from voting with regard to the purchase.

Note 5. Commitments and Contingencies

A. Cynthiana/Harrison County Public Properties Corporation

In June 1995, the Harrison County Fiscal Court (the County) and the City of Cynthiana (the City) formed the Cynthiana/Harrison County Public Properties Corporation (the Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in the past three (3) years. We recommend that an audit be performed. Should the Corporation default on the loan at Farmers National Bank, the fiscal court could ultimately be responsible for one-half of the outstanding liabilities. As of June 30, 2000, the outstanding liability was \$476,317.

B. Cynthiana/Harrison County Industrial Authority

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2000, the outstanding liability on the loan was \$786,240. As of the audit date, the County has distributed approximately one hundred eighty-five thousand (\$185,000) dollars to the Authority. Additionally, as of the audit date, there has been no audit performed for the Authority. We recommend that an audit be performed.

HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

C. Cynthiana/Berry/Harrison County E-911

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for “the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky.” An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the board. The City and County subsequently entered into an interlocal agreement which states, in part, “The cost of the E-911 Program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 Program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 Program, the remaining costs shall be apportioned evenly (50/50) between the City and County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center.” The county has established “an assessment fee of \$2.50 per month for each telephone line within the City and County.” As of the audit date, the enhanced 911 system is still being implemented, therefore, it is uncertain if the established fee will cover the operating expenses of the E-911 Program.

Note 6. Subsequent Event

In May 2000, the Harrison County Fiscal Court (the County) adopted a resolution establishing the Harrison County, Kentucky Public Properties Corporation (the Corporation). The Corporation was established for the County to incur debt for the construction of a justice center. In July 2000, the County authorized, through the Corporation, the issuance of up to \$6,340,000 (plus or minus 10%) revenue bonds for the construction of the new justice center. The Corporation subsequently, on January 17, 2001, issued \$6,075,000 First Mortgage Revenue Bonds, Series 2001 (Court Facilities Project). In subsequent years’ audits the Harrison County Public Properties Corporation will be included as part of the County’s reporting entity and the bonded debt will be reported as a part of the County’s outstanding liabilities.

Note 7. Insurance

For the fiscal year ended June 30, 2000, Harrison County was a member of the Kentucky Association of Counties’ All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials’ errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



HARRISON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,836,965	\$ 2,331,860	\$ 494,895
Road and Bridge Fund	919,030	825,764	(93,266)
Jail Fund	378,362	72,542	(305,820)
Local Government Economic Assistance Fund	28,600	25,557	(3,043)
<u>Special Revenue Fund Type</u>			
State Grants Fund	800,000		(800,000)
Federal Grants Fund	264,000	14,848	(249,152)
<u>Trust and Agency Fund Type</u>			
Shropshire Fund	23,000	29,048	6,048
Cox Fund	18,000	18,112	112
Stump Fund	8,400	7,418	(982)
Totals	<u>\$ 4,276,357</u>	<u>\$ 3,325,149</u>	<u>\$ (951,208)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,276,357
Add: Budgeted Prior Year Surplus			<u>906,012</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 5,182,369</u>

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SCHEDULE OF OPERATING REVENUE



HARRISON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

		<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Trust and Agency Fund Type
REVENUE:				
Taxes	\$ 2,086,788	\$ 2,086,788	\$	\$
In Lieu Tax Payments	4,001	4,001		
Excess Fees	49,170	49,170		
License and Permits	1,500	1,500		
Intergovernmental Revenues	949,611	944,606	5,005	
Charges for Services	25,023	7,904		17,119
Miscellaneous Revenues	95,053	95,053		
Interest Earned	114,003	66,701	9,843	37,459
Total Operating Revenue	<u>\$ 3,325,149</u>	<u>\$ 3,255,723</u>	<u>\$ 14,848</u>	<u>\$ 54,578</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



HARRISON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,073,932	\$ 707,803	\$ 366,129
Protection to Persons and Property	662,231	539,324	122,907
General Health and Sanitation	269,060	225,207	43,853
Social Services	67,722	51,569	16,153
Recreation and Culture	67,200	67,200	
Roads	926,540	870,080	56,460
Airports	5,000	5,000	
Bus Service	14,600	14,303	297
Other Transportation Facilities and Services	1,000	1,000	
Capital Projects	263,700	81,939	181,761
Administration	711,984	311,805	400,179
<b>TOTAL BUDGET - ALL GENERAL FUND TYPES</b>	<b>\$ 4,062,969</b>	<b>\$ 2,875,230</b>	<b>\$ 1,187,739</b>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 800,000	\$	\$ 800,000
Capital Projects	264,000	227,082	36,918
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 1,064,000</b>	<b>\$ 227,082</b>	<b>\$ 836,918</b>

HARRISON COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Expenditure Categories	TRUST AND AGENCY FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 29,000	\$ 27,816	\$ 1,184
Social Services	26,400	24,825	1,575
<b>TOTAL BUDGET - TRUST AND AGENCY FUND TYPE</b>	<b>\$ 55,400</b>	<b>\$ 52,641</b>	<b>\$ 2,759</b>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Peak, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Harrison County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated July 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 2, 2001



## COMMENT AND RECOMMENDATION



HARRISON COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

None.

NONCOMPLIANCE

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On August 31, 1999, \$201,261 of the county's deposits of public funds in depository institutions was uninsured and unsecured; additionally, on June 30, 2000, \$61,384 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), depository institutions should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend the county require depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive's and County Treasurer's Response:*

*Our banks have been contacted and appropriate action has been taken.*

PRIOR YEAR FINDING

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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*County Judge/Executive's and County Treasurer's Response:*

*County's banks have been contacted and appropriate action has been taken.*

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CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

HARRISON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000


Appendix A



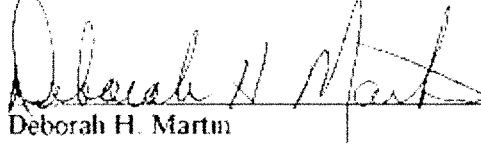
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
HARRISON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Harrison County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Dean Peak  
Harrison County Judge/Executive



Deborah H. Martin  
Harrison County Treasurer